

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2177
ANSWERED ON:06.05.2016
Moody's Rating of 'Make in India' Initiative
Saraswati Shri Sumedhanand

Will the Minister of FINANCE be pleased to state:

2177: SHRI SUMEDHANAND SARSWATI:

Will the Minister of FINANCE be please to state:

- a) whether many international credit rating agencies including Moody's have called Government's 'Make in India' initiative a success;
- b) if so, the facts thereof and the reaction of the Government thereto;
- c) whether FDI inflows hit more than financing the Current Account Deficit (CAD) for the first time since 2004;
- d) if so, the details thereof; and
- e) the details of the foreign reserves during each of the last three years?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) & (b) Moody's Investors Service in its Report titled "Government of India: Rising Foreign Direct Investment Provides Stable Financing of Current Account Deficit, a Credit Positive" which was released on 7th April, 2016 has made following observations:-
"The rise in FDI points to stronger investor interest in India on the back of robust economic growth. Higher inflows also suggest that recent government policies, such as efforts to liberalize foreign investment limits in several sectors and the "Make in India" initiative, are bearing fruit."

This report is a reflection of growing international recognition of the Government's policy of giving a boost to the manufacturing sector through the 'Make in India' initiative.

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(c) & (d) The level of Foreign Direct Investment (FDI) and Current account Deficit (CAD) since 2004-05 are given in the table 1 below.
Table: 1 Foreign Direct investment and Current Account Deficit on Balance of Payments basis (US\$ million)

Year Foreign Direct Investment Current Account Deficit

Inflows Outflows Net Net

2004-05 6087 2374 3713 -2470

2005-06 9178 6144 3034 -9902

2006-07 23590 15897 7693 -9565

2007-08 37322 21429 15893 -15738

2008-09 43006 20634 22372 -27914

2009-10 38484 20518 17966 -38181

2010-11 38609 26775 11834 -48053

2011-12 49007 26947 22061 -78155

2012-13 39786 19967 19819 -88163

2013-14 43582 22018 21564 -32397

2014-15 51796 20544 31251 -26800

2015-16 (Apr.-Dec.) 43906 16469 27437 -21975

Source: Balance of Payments, Reserve Bank of India

It may be seen that the FDI Net inflows have managed to cover up the Current Account Deficit (CAD) in the FY 2007-08 and thereafter since the year 2014-15.

(e) India's foreign exchange reserves comprise of foreign currency assets (FCAs) of RBI, Gold, SDRs and reserve tranche position (RTP) with IMF. The level of foreign exchange reserves is largely the outcome of Reserve Bank of India's intervention in the foreign exchange market to stabilise the rupee value. The level of foreign exchange reserves during the last three years are given in the table 2 below.

Table: 2 India's Foreign Exchange Reserves (US\$ million)

End of Financial Year Foreign Currency Assets Gold RTP SDRs Total

1 2 3 4 5 6=2+3+4+5

2013-14 276359 21567 1834 4464 304223

2014-15 317324 19038 1292 3985 341638

2015-16 336104 20115 2456 1502 360176

As on 22 April 2016 337537 20115 1498 2451 361601

